$1,000 Invested in Air Canada (TSX:AC) Stock in 2020 Is Worth This Much Today

Description

Canada’s most dominant carrier was doing great until COVID-19 virtually crippled its operations. In 2021, **Air Canada’s** (TSX:AC) shares are going neither here nor there due to business uncertainties. According to **Reuters**, management projects a net cash burn of between $1.35 billion and $1.53 billion in Q1 2021.

The constantly changing travel restrictions plus extensions keep Air Canada on the ground. Its annual loss in 2020 was its biggest in at least 19 years. The latest buzz is that the **Transat** deal is off the table.

Had you invested $1,000 at the start of 2020, your money would be worth only $529 today. The current share price is $26.45, while it cost you $50 per share on January 2, 2020. Such is the fate of Air Canada investors following the coronavirus breakout in March last year.

At the beginning of Q2 2020, the share price fell to a low of $14.56. Fortunately, as of April 1, 2021, the stock is up 16.6% year to date. Market analysts are bullish. They forecast the stock to climb between $28.03 (+6%) and $35 (+32%) in the next 12 months.

Industry outlook

Alexandre de Juniac, director general and CEO of the International Air Transport Association (IATA), describes 2020 as a catastrophic year for the aviation industry. International passenger demand fell by a whopping 75.6% from 2019 levels. Air Canada reported $4.65 billion in net loss for the entire year versus the $1.8 billion profit in the previous year.

IATA’s baseline forecast this year is a 50.4% improvement on 2020 demand, or 50.6% of 2019 levels. However, the association remains cautious due to severe downside risk. If governments impose more travel restrictions in response to new COVID-19 variants, demand improvement could be no more than 13% over 2020, or 38% only of 2019 levels.

Federal bailout or loan

Talks between Canadian airline companies and the federal government are ongoing, although a breakthrough hasn't been reached. In early March 2021, news broke out that the negotiating parties are close to a bailout package. Air Canada shares jumped to nearly $30 in mid-March, only to sputter again.

The Canadian government has conditions before it extends any financial assistance. Airlines must refund passengers for flight cancellations due to the pandemic, restore regional routes, and protect jobs. Jerry Dias, national president of Unifor, estimates the sector-specific support to be around $9 billion given the lapsed period.

No clear runway

Air Canada is browbeaten because international traffic is its bread and butter. The re-opening of sun destination flights (Barbados, Jamaica, and Mexico City) in May 2021 could bring in revenues for the summer. Meanwhile, the company is pursuing to expand its cargo division.

Airfreight booking platform cargo.one from Germany inked a deal to make Air Canada a blueprint for its regional operations. Once the integration is complete, the available capacity on flights between Europe to North America will go live in Q2 2021.

The latest developments aren't enough to boost the stock price or return it to $50 in 2021. Sadly, Air Canada is falling behind its global counterparts. The financial support it badly needs must come soon. If not, it could lose more investors who are patiently waiting for a rebound like in 2004 when Air Canada emerged from bankruptcy protection.

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